

Weekly Investment Update

28th May 2021



News Headlines

Federal Reserve comments – Federal Reserve (Fed) officials hit back against the idea that higher inflation in the US would last long enough to put pressure on the US economic rebound. Fed Governor, Leal Brainard, Atlanta Fed President Raphael Bostic and St. Louis's James Bullard all stated that the price-growth momentum would prove only temporary. On the back of the comments, the US dollar sank to its lowest level since January as the comments helped ease investor nerves about tightening monetary policy.

Dominic Cummings testifies – Dominic Cummings, the former chief adviser to UK Prime Minister Boris Johnson, spent 7 hours testifying in front of MPs on Wednesday, giving a scathing report on the government's handling of the Covid-19 pandemic. Cummings directed many allegations towards both Boris Johnson and Health Secretary Matt Hancock. With so much damning detail emerging from the testimony, there were calls for an immediate public inquiry into the government's Covid-19 response to begin immediately, rather than waiting to launch one on the spring of 2022 as currently planned.

EU-Belarus sanctions – EU leaders triggered new economic sanctions against Belarus and its national airline this week, after Belarus forced the landing of a Ryanair flight in Minsk to arrest a government opposition blogger, Roman Protasevich and his girlfriend. The EU's 27 heads of state and government condemned the forced landing and called for the immediate release of the dissident. US President Joe Biden also weighed in on Monday to condemn "in the strongest possible terms" the operation to arrest Protasevich, calling it a "direct affront to international norms" and called for his release. Biden added that his team were assessing "appropriate options" to pose against Belarus.

Market Summary

Global Equities – Global stock markets rallied throughout the week to finish mostly higher as at Thursday's close. A continued dovish stance from the European Central Bank, better-than-expected jobless data out of the US and investor expectations of more US stimulus spending by the Biden administration all boosted investor sentiment and pushed stocks higher. European stocks (Stoxx 600 index) hit record highs on Friday, as the Stoxx 600 index now tops global equity indices performance year to date, just notching above the US S&P 500. European indices are in favour as economies in the bloc rebound after Covid-19 lockdowns ease.

Commodities – Gold prices gained slightly against the US dollar over the week. After gains at the start of the week, the safe haven metal lost momentum, posting a three-day losing streak as an uptick in the US dollar and US Treasury yields weighed on the price. Investors awaited crucial US inflation data on Friday to gauge inflationary pressure.

Oil prices (Brent crude & WTI) rose sharply and remained higher. The jump in prices came as economists predicted that the surge in demand due to the lifting of Covid-19 restrictions would offset any supply bump should sanctions against Iran's oil be waived.

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Chart of the Week

Dollar Nears Six-Year Lows

However, many factors might be preventing a move even lower



Source: Bloomberg – The US dollar currently sits at a six-year low

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- China manufacturing PMI	- Germany unemployment - EU inflation flash - US ISM manufacturing PMI			- EU retail sales - US unemployment rate

Market Performance – 27/05/2021

Global Market Indices	2021 YTD %*
FTSE 100	8.52%
S&P 500	14.19%
DAX	12.24%
Nikkei 225	5.48%
Hang Seng	7.00%
Fixed Income	Yield %
UK 10 Yr Gilt	0.81%
US 10 Yr Treasury	1.61%
Commodities	2021 YTD %
Gold	-0.24%
Currency	
GBP/USD	1.42 (28/05/2021)
GBP/EUR	1.16 (28/05/2021)

Source: FE Analytics/ Bloomberg.com

*Total Return/Local currency

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